

This Designation of Beneficiary Form is to be used solely for the disposition of proceeds of insurance under the Federal Employees' Group Life Insurance Program and is not to be confused with Standard Form 2808, *Designation of Beneficiary, Civil Service Retirement System*, Standard Form 3102, *Designation of Beneficiary, Federal Employees' Retirement System*, Standard Form 1152, *Designation of Beneficiary, Unpaid Compensation of Deceased Civilian Employee*, or RI 76-10, *Assignment of Federal Employees' Group Life Insurance*.

If you have not assigned your insurance, YOU are "the Insured", as used throughout this form.

Order of Precedence

If the insurance HAS BEEN assigned and there is no valid Designation of Beneficiary, the amount of group life insurance and group accidental death insurance in force at the date of the Insured's death shall be paid to the assignee(s).

If the insurance HAS NOT BEEN assigned and there is no valid Designation of Beneficiary, the amount of group life insurance and group accidental death insurance in force at the date of death shall be paid to the person or persons surviving at the date of death, under the following order of precedence:

1. To the widow or widower.
2. If none of the above, to the child or children, with the share of any deceased child distributed among the descendants of that child.
3. If none of the above, to the parents in equal shares or the entire amount to the surviving parent.
4. If none of the above, to the duly appointed executor or administrator of the estate.
5. If none of the above, to the other next of kin who are entitled under the laws of the domicile of the Insured at the date of death.

It is not necessary to designate a beneficiary unless you wish payment to be made in a way other than the order of precedence shown above.

Regulations

- (a) The Designation of Beneficiary shall be in writing, signed and witnessed, in writing, by two people, and received in the employing office (or in the Office of Personnel Management, in the case of (1) a retired employee or (2) an employee whose insurance is continued while receiving benefits under the Federal Employees' Compensation Law because of disease or injury and who is held by the Department of Labor to be unable to return to duty) prior to the death of the Insured.
- (b) A change or cancellation of beneficiary in a last will or testament, or in any other document not witnessed and filed as required by these regulations, shall not have any force or effect.
- (c) A witness to a Designation of Beneficiary is not eligible to receive payment as a beneficiary.
- (d) Any person, firm, corporation or legal entity (except an agency of the Federal or District of Columbia governments) may be named as beneficiary.
- (e) A change of beneficiary may be made at any time and without the knowledge or consent of the previous beneficiary. This right cannot be waived or restricted.
- (f) A Designation of Beneficiary is automatically canceled 31 days after the employee stops being insured.
- (g) If a valid Designation of Beneficiary provides that a designated beneficiary shall be entitled to the proceeds of the insurance only if the beneficiary survives the Insured for a period of time (not more than 30 days) as specified by the designator, no right to the insurance shall vest as to such beneficiary

during that period. In the event such beneficiary does not survive the specified period, payment of the proceeds of the insurance will be made as if the beneficiary had predeceased the Insured.

Instructions

1. If you have validly assigned your insurance (that is, you completed an RI 76-10 Assignment form) either as an employee or as an annuitant or as an assignee reassigning insurance, your Designation of Beneficiary is invalid. Only the assignee(s) may complete a Designation.
2. Only the Insured or Assignee may sign the Designation of Beneficiary. The signature of a guardian, conservator or other fiduciary (including, but not limited to, those acting pursuant to a Power of Attorney or a Durable Power of Attorney) is not acceptable.
3. The examples printed on the back of the first page of this form may be helpful to you in filling out this form to name a beneficiary or to cancel a prior Designation of Beneficiary. More than one beneficiary can be designated. Unless you direct otherwise in the Designation, the person(s) named will be considered as beneficiary (or beneficiaries) for (both) Basic Life and optional coverages. The total insurance can be divided by showing what share is to be paid to each beneficiary (example 2), or different beneficiaries may be designated for Basic Life and optional coverages (example 4).
4. If you have elected a full Living Benefit, any designation of Basic insurance cannot be honored--you no longer have any Basic to designate.
5. Complete this form in duplicate. All entries on the form except signatures should be typed or printed in ink (typewriting preferred).
6. It is not necessary to file a new Designation of Beneficiary when your name or address or that of the Insured or the beneficiary changes or when the Insured changes employing offices or retires.
7. This form must be free of erasures or alterations.
8. Properly completed designations are not valid unless they are received prior to the death of the insured by the Office specified below under *Where to File Completed Form*.

IMPORTANT: If you wish to designate a trust as beneficiary, ask the Insured's employing office or retirement system for instructions.

Where to File Completed Form

If the Insured is an employee, file the form with the employing agency. If the Insured is a retired employee or is receiving Federal Employees' Compensation, file the form with the Office of Personnel Management, Retirement Operations Center, Validation Section, Boyers, PA 16017. If an application for retirement or compensation is pending, file the form with your employing agency if still employed, or with the Office of Personnel Management if no longer employed. Receipt of the designation form will be noted on the bottom of the form and the duplicate (Part 2) will be returned to you as evidence that the original has been received and filed. It is suggested that the duplicate be kept with the RI 76-21 (RI 76-20 for Postal Employees), the *Federal Employees' Group Life Insurance Description and Certification of Enrollment*.

Privacy Act and Public Burden Statements

Title 5, U.S. Code, chapter 87, Life Insurance, authorizes solicitation of this information. The data you furnish will be used to determine your beneficiary(ies) for your life insurance and accidental death insurance. This information will be shared with the Office of Federal Employees' Group Life Insurance in the event of your death. It will also be shared with the Office of Personnel Management and be placed in your Official Personnel Folder. This information may be disclosed to other Federal agencies or Congressional offices which may have a need to know it in connection with your application for a job, license, grant or other benefit. It may also be shared and is subject to verification, via paper, electronic media, or through the use of computer matching programs, with national, state, local or other charitable or social security administrative agencies to determine and issue benefits under their programs. In addition, to the extent this information indicates possible violation of civil or criminal law, it may be shared and verified, as noted above, with an appropriate Federal, state, or local law enforcement agency.

We also request that you provide the Insured's Social Security Number so that it may be used as an individual identifier in the Federal Employees' Group Life

Insurance Program. Executive Order 9397, dated November 22, 1943, allows Federal agencies to use the Social Security Number as an individual identifier to distinguish between people with the same or similar names.

While the law does not require you to supply all the information requested on this form, doing so will assist in the prompt processing of your designation.

Agencies other than the Office of Personnel Management may have further routine uses for disclosure of information from the records systems in which they file copies of this form. If this is the case, they should provide you with any such uses which are applicable at the time you complete this form.

We think this form takes an average of 15 minutes to complete, including the time for reviewing instructions, getting the needed data, and reviewing the completed form. Send comments regarding our estimate or any other aspect of this form, including suggestions for reducing completion time, to the Office of Personnel Management, OPM Reports and Forms Officer, Washington, D.C. 20415.

Designations should be kept current. With changes in family status (marriage, divorce, death, births, etc.), you may wish to make changes in your designation(s).

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-21035; File No. 812-9276]

Connecticut General Life Insurance Company, et al.

April 28, 1995.

AGENCY: Securities and Exchange Commission ("SEC" or the "Commission").**ACTION:** Notice of Application for Exemption under the Investment Company Act of 1940 (the "1940 Act").

APPLICANTS: Connecticut General Life Insurance Company ("CG Life"), CG Variable Annuity Separate Account II (the "Account"), certain separate accounts that may be established by CG Life in the future to support certain variable annuity contracts issued by CG Life (the "Other Accounts", collectively, with the Account, the "Accounts") and Cigna Financial Advisors, Inc. ("Cigna").¹

RELEVANT 1940 ACT SECTIONS: Order requested under Section 6(c) of the 1940 Act for exemptions from Sections 2(a)(32), 26(a)(2)(C), 27(c)(1) and 27(c)(2) of the 1940 Act and Rule 22c-1 thereunder.

SUMMARY OF APPLICATION: Applicants seek an order permitting CG Life to deduct from the assets of the Accounts the mortality and expense risk charge imposed under certain variable annuity contracts issued by CG Life (the "Existing Contracts") and under any other variable annuity contracts issued by CG Life which are materially similar to the Existing Contracts and are offered through any of the Accounts (the "Other Contracts", together, with the Existing Contracts, the "Contracts"). Additionally, where the Contract owner has selected an optional death benefit, the order would permit applicants to deduct from the value of the Contract an age and gender based charge for the benefits selected. The charge would be deducted upon the occurrence of one of the following events: upon the Contract anniversary; upon annuitization of the Contract; upon surrender of the Contract; or upon payment of the death benefit.

FILING DATE: The application was filed on October 11, 1994, and amended on December 19, 1994 and February 28, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a

hearing. Interested persons may request a hearing on this application by writing to the Secretary of the SEC and serving applicants with a copy of the request, personally or by mail. Hearing requests must be received by the Commission by 5:30 p.m. on May 23, 1995 and should be accompanied by proof of service on applicants in the form of an affidavit or, for lawyers, by certificate of service. Hearing requests should state the nature of the interest, the reason for the request and the issues contested. Persons may request notification of the date of a hearing by writing to the Secretary of the SEC.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants: Robert A. Picarello, Esq., S-321, Connecticut General Life Insurance Company, 900 Cottage Grove Road, Hartford, Connecticut 06152.

FOR FURTHER INFORMATION CONTACT: Barbara J. Whisler, Senior Counsel, or Wendy Friedlander, Deputy Chief, both at (202) 942-0670, Office of Insurance Products, Division of Investment Management.

SUPPLEMENTARY INFORMATION: Following is a summary of the application, the complete application is available for a fee from the public Reference Branch of the SEC.

Applicants' Representations

1. CG Life, a stock life insurance company domiciled in Connecticut, is a wholly owned subsidiary of CIGNA Holdings, Inc., which is, in turn, wholly owned by CIGNA Corporation. The Account, established January 25, 1994 under Connecticut law, is registered with the Commission as a unit investment trust. The Account will fund the Existing Contracts issued by CG Life.

2. Cigna will serve as the distributor of and the principal underwriter for the Existing Contracts. The application states that Cigna is also expected to serve as the distributor of and the principal underwriter for the other Contracts. Cigna is a wholly owned subsidiary of Connecticut General Corporation which, in turn, is a wholly owned subsidiary of CIGNA Corporation. Cigna is a broker dealer registered under the Securities Exchange Act of 1934, an investment advisor registered under the Investment Advisers Act of 1940, and a member of the National Association of Securities Dealers, Inc.

3. The Accounts are comprised of subaccounts (the "Subaccounts"). The assets of each Subaccount of an Account will be invested in a corresponding portfolio of one of five investment companies (the "Funds"). Currently, the

Funds have seventeen portfolios available for investment. Applicants state that each of the Funds is a diversified, open-end management investment company. Applicants also state that the number and identity of available Funds and investment portfolios may change.

4. The Existing Contracts are combination fixed and variable annuity contracts issued on an individual basis. The Existing Contracts may be purchased on a nonqualified basis or with the proceeds from certain plans qualifying for favorable tax treatment under the Internal Revenue Code of 1986, as amended (the "Code"). The minimum initial premium is \$2,500 and the minimum for subsequent premiums is \$100. A minimum initial premium of \$2,000 will be permitted for an Individual Retirement Annuity under Section 408 of the Code.

5. The Existing Contracts provide for certain guaranteed death benefits at no charge if an optional death benefit is not selected. The guaranteed death benefit is the value of the Account plus the value of the fixed account as of the date CG Life receives due proof of death and a payment election. If the owner of a Contract dies prior to the annuity date, the death benefit will be paid to the beneficiary.

6. CG Life imposes an annual administrative fee of \$35 on Contracts having a Contract value of less than \$100,000. Until the earlier of the annuity date or a surrender of the Contract, the fee will be deducted pro rata from all of the Subaccounts of the Account in which the owner of the Contract invests. Where a variable payout has been selected after the annuity date, the fee will be deducted proportionately and in installments from the annuity payments. Applicants state that the annual administrative fee partially compensates CG Life for administrative services associated with the Contracts and the Account.

7. CG Life also deducts a daily administrative expense charge equal annually to .10% of the average daily net asset value of the Account. Applicants represent that CG Life does not anticipate a profit from either the annual administrative charge or from the daily administrative charge. Applicants also state that the charges are guaranteed not to increase for a Contract once that Contract has been issued. Finally, Applicants state that CG Life will rely upon and comply with Rule 26a-1 under the 1940 Act in deducting both administrative charges.

8. A contingent deferred sales charge (the "Sales Charge") of up to 7% may be assessed by CG Life upon withdrawal

¹ Applicants represent that they will file an amendment to the application during the notice period and that such amendment will reflect the Applicants.

of a portion of the Account's value or upon surrender of the Contract within the first seven years of the Contract. The Sales Charge is a percentage of the amount withdrawn and is assessed against the balance remaining in the Account after withdrawal. The percentage declines depending upon how many years have passed since the withdrawn premium was originally made by the Contract owner. Applicants state that CG Life guarantees that aggregate withdrawal charges under a Contract will not exceed 8.5% of total premiums paid.

9. CG Life will impose a daily charge equal to an annual effective rate of 1.20% of the value of the net assets of the Account to compensate CG Life for assuming certain mortality and expense risks in connection with the Contracts. Applicants state that approximately .70% of the 1.20% charge is attributable to mortality risk while approximately .50% is attributable to expense risk. The mortality and expense risk charge is guaranteed not to increase for a Contract once that Contract has been issued. If the mortality and expense risk charge is insufficient to cover actual costs of the risks assumed, CG Life will bear the loss. Conversely, if the charge exceeds costs, this excess will be profit to CG Life and will be available for any corporate purpose, including payment of expenses relating to the distribution of the Contracts. Applicants state that CG Life expects a profit from the mortality and expense risk charge.

10. Applicants state that the mortality risk borne by CG Life arises from: (a) the contractual obligation of CG Life to make annuity payments regardless of how long all annuitants or any individual annuitant may live; and (b) the guarantee of a death benefit. Applicants state that the expense risk assumed by CG Life under the Contracts is the risk that the administrative charges assessed under the Contracts may be insufficient to cover actual administrative expenses incurred by CG Life.

11. When an application for a Contract is made, one or more optional death benefits may be selected by the Contract owner. The mortality and expense risks charge does not compensate for the anticipated costs of providing the optional death benefits. There is, therefore, an additional charge for these benefits. Applicants describe four optional death benefits. Once election is completed, the optional death benefits chosen remain in effect for the life of the Contract absent a written request by the owner of the Contract for termination. Only one request for termination may be given.

Optional death benefits must be selected at the time of application, and can not be added at a later date. The optional death benefits provide for the payment of a certain amount as the death benefit if the value of the contract is less than that amount when the death benefit is paid.

12. On each anniversary of a Contract, a charge will be made for any optional death benefit in effect for the Contract year just ended. If the charge is applicable, it will be computed in accordance with mortality tables which are made a part of the Contract and reflect the age and the gender of the owner of the Contract. The charge is based upon the "amount at risk." The amount at risk is the excess of the death benefit which would be payable at the end of a Contract month over the Account value. There is no deduction made from the Account value until the Contract anniversary. At the Contract anniversary, the sum of any charges accrued at the end of each Contract month during the previous year is deducted. If the owner or the annuitant, as applicable, were to die on other than a Contract anniversary, all charges accrued will be deducted from the death benefit payable, the surrender proceeds or from the amount applied to provide annuity benefits.

13. Applicants state that CG Life expects to derive a profit from the optional death benefit charge. Applicants also represent that the table of charges in the application, which sets forth the charges for the optional death benefits, is guaranteed not to change for any Contract once that Contract is issued.

14. CG Life may incur premium taxes relating to the Contracts and CG Life will deduct these taxes upon withdrawal, annuitization or payment of the death benefit. CG Life reserves the right to deduct charges made for federal, state or local taxes incurred by CG Life in the future.

Applicants' Legal Analysis and Conditions

1. Applicants request that the Commission, pursuant to Section 6(c) of the 1940 Act, grant exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act in connection with Applicants' assessment of the daily charge for the mortality and expense risks under the Contracts and for Applicants' assessment, where applicable, of the optional death benefit charge. Applicants state that the requested extension of relief to the Other Accounts and the Other Contracts is appropriate in the public interest. Applicants assert that the relief would

promote competitiveness in the variable annuity market by eliminating the need to file redundant exemptive applications and would, therefore, reduce administrative expenses and maximize efficient use of resources. Applicants argue that the delay and expense involved in having to repeatedly seek exemptive relief would impair the ability of CG Life to take advantage effectively of business opportunities as those opportunities arise. Applicants assert that the requested relief is consistent with the purposes of the 1940 Act and the protection of investors for the same reasons. Finally, Applicants state that were CG Life required to seek repeated exemptive relief with respect to the issues addressed in the application, no additional benefit or protection would be provided to investors through the redundant filings.

2. Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act, in pertinent part, prohibit a registered unit investment trust and any depositor thereof or underwriter therefor from selling periodic payment plan certificates unless the proceeds of all payments (other than sales load) are deposited with a qualified bank as trustee or custodian and held under arrangements which prohibit any payment to the depositor or principal underwriter except a fee, not exceeding such reasonable amount as the Commission may prescribe, for performing bookkeeping and other administrative services of a character normally performed by the bank itself.

3. Applicants assert that the charge for mortality and expense risks and the charge for the optional death benefit are reasonable in relation to the risks assumed by CG Life under the Contracts.

4. Applicants represent that the mortality and expense risk charge is within the range of industry practice with respect to comparable annuity products. Applicants state that this representation is based upon Applicants' analysis of a survey of comparable contracts issued by a large number of insurance companies taking into consideration such factors as: current charge levels; benefits provided; charge level guarantees; and guaranteed annuity rates. Applicants represent that CG Life will maintain at its home office, available to the Commission, a memorandum setting forth in detail the methodology and the results of the comparative survey analyzed by Applicants.

5. Applicants represent that the charge for the optional death benefit is determined by multiplying, at the end of each Contract month, the actual

amounts at risk under the benefit or benefits selected by the cost per \$1,000 of the amount at risk. Applicants also represent that the amounts at risk used will be actual figures, and that the determination of the figures on a monthly basis is reasonable. Applicants state that the cost per \$1,000 of amount at risk, *i.e.*, the cost of insurance charge, was determined using assumptions regarding the expected mortality of the Contract owners. Applicants state that these assumptions reflect that the Contracts are both insurance and investment vehicles and could appeal to a different group than would a traditional annuity. CG Life represents that there could be less self selection of this product by healthy individuals than a traditional annuity. Applicants further state that, because of the optional death benefits provided under the Contracts without health underwriting, there could be self selection by unhealthy individuals who would not ordinarily qualify for traditional life insurance. CG Life asserts that the foregoing mortality assumptions are reasonable. Applicants state the CG Life undertakes to maintain, at its home office and available to the Commission, a memorandum detailing the methodology used in determining that the optional death benefit charge is reasonable in relation to the risks assumed by CG Life under the Contracts.

6. Applicants acknowledge that the Sales Charge will likely be insufficient to cover all costs relating to the distribution of the Contracts. To the extent distribution costs are not covered by the Sales Charge, CG Life will recover its distribution costs from the assets of the general account. These assets may include that portion of the mortality and expense risk charge which is profit to CG Life, and that portion of the optional death benefit charge that is profit. Applicants represent that CG Life has concluded that there is a reasonable likelihood that the proposed distribution financing arrangement will benefit the Account, the Other Accounts and the owners of the Contracts. The basis for this conclusion is set forth in a memorandum which will be maintained by CG Life at its home office and will be made available to the Commission.

7. CG Life also represents that the Accounts will invest only in open-end management investment companies which undertake, in the event such company adopts a plan under Rule 12b-1 of the 1940 Act to finance distribution expenses, to have such plan formulated and approved by either the company's board of directors or the board of

trustees, as applicable, a majority of whom are not interested persons of such company within the meaning of the 1940 Act.

8. Applicants also request an order under Section 6(c) granting exemptions from Sections 2(a)(32) and 27(c)(1) of the 1940 Act and Rule 22c-1 thereunder to the extent necessary to permit the deduction from Account values of the optional death benefit charges at the following times: upon surrender; upon annuitization; and upon payment of a death benefit.

9. Section 27(c)(1) requires that periodic payment plan certificates, such as the Contracts, be redeemable securities. Section 2(a)(32) defines a "redeemable security" as one which, upon presentation to the issuer, entitles the holder to receive "approximately his proportionate share of the issuer's current net assets, or the cash equivalent thereof." Rule 22c-1 under the 1940 Act prohibits redemptions "except at a price based on the current net asset value of such security which is next computed * * *." Applicants concede that where the optional death benefit charge is imposed upon annuitization, surrender or payment of the death benefit, the net dollar amount paid upon surrender or in the form of a death benefit, or applied to the purchase of annuity units under the Contract, will be less than the full accumulation unit value of the variable portion of the Contract. Applicants state, however, that the gross proceeds will equal the full net asset value of the variable portion of the Contract. Applicants represent that the difference between the gross proceeds and the net dollar amount paid or applied will be equal to the unpaid aggregate charges for the optional death benefit that have accrued since the most recent Contract anniversary. Applicants state that if the cost for the optional death benefit were deducted from the value of the Contract upon accrual, there would be no difference between the gross proceeds and the net amount paid or applied. Applicants argue that payment of the accrued but unpaid charges out of the gross proceeds of redemption, annuitization or a death benefit should be viewed as a delayed deduction of otherwise permitted charges. Applicants assert that the prohibitions of Sections 2(a)(32) and 27(c)(1) and Rule 22c-1 are designed to prevent diminution or dilution of investment company assets and should not, therefore, be applied to a transaction that, but for its timing, would be otherwise permissible.

Conclusion

Applicants assert that the reasons and upon the facts set forth above, the

requested exemptions from Sections 2(a)(32), 26(a)(2)(C) and 27(c)(2) of the 1940 Act and Rule 22c-1 thereunder are unnecessary and appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

For the Commission, by the Division Investment Management, pursuant to delegated authority.

[FR Doc. 95-11131 Filed 5-4-95; 8:45 am]

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[Release No. 34-35655; File No. SR-DTC-95-05]

Self-Regulatory Organizations; The Depository Trust Company; Order Extending Temporary Approval of a Proposed Rule Change Expanding the Money Market Instrument Settlement Program

April 28, 1995.

On March 7, 1995, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-DTC-95-05) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the **Federal Register** on March 24, 1995.² No comment letters were received. For the reasons discussed below, the Commission is extending its temporary approval of the proposed rule change through April 30, 1996.

I. Description of the Proposal

A. Generally

On April 22, 1994, the Commission approved, on a temporary basis until April 30, 1995, DTC's proposed rule change making its existing Money Market Instrument ("MMI") settlement services available for transactions in additional types of MMIs.³ The current proposed rule change seeks permanent approval of the new and expanded MMI settlement program. The expanded MMI settlement program includes institutional certificates of deposit ("CD"), municipal commercial paper, and bankers' acceptances. Prior to the April 1994 enhancement, the MMI program included corporate commercial

¹ 15 U.S.C. § 78s(b)(1) (1988).

² Securities Exchange Act Release No. 35513 (March 17, 1995), 60 FR 15614.

³ Securities Exchange Act Release No. 33958 (April 22, 1994), 59 FR 22878 [File No. SR-DTC-93-12] (order temporarily approving proposed rule change expanding DTC's MMI program).